

Pace Yourself: Financial Management of Non-Profits Roundtable

Moderated by: Sheryl Sharpe

RE: Balancing the need to stay true to agency mission vs. diversifying income

- Groups seeking additional sources of income and staying true to the task.
- IRS technicalities that put 501 (c) 3 Status into jeopardy; and affects funding in other areas.
- Talking to an attorney who specializes in non-profits would deter some IRS setbacks.
- (Question from for-profit developer): Do non-profits include in their mission and vision statements include something about housing? A: Their personal mission statement has some language about housing but not a direct part. A non-profit can split between single-family and multi-family (rental) organizations without housing as a priority – broad topic when an organization can diversify its mission and partner with a for-profit to bring in housing expertise.
- The key is to find projects that the neighborhood needs and provide income to keep organization afloat; and there are a multitude of tools to keep your organization above water.
- Mission statement v. Vision – Mission statement has to have something about housing. IRS Form 990 asks if you changed your statement and then the IRS reviews it again.
- In determining vision, the organization's strategic plan as a part of the application for transitional housing.
As a general practice the "IRS will not come back on you because you used the wrong word." You can use wording (sum up) from your mission statement, but supply a copy of the whole mission statement so reader will understand.

RE: Staff, When to expand, when to contract

- Downsizing is necessary when there is no more money
- Reality of not wanting to put people out of jobs keeps you changing operating money, which may make you change your mission statement and pursue areas you really don't qualify for.
- One person does the job of 2-3 people.
- Staffing should be part of the mission statement
- You need sufficient staff to complete the needs of the mission
- Staffing should be the first and foremost need of the organization.
- Pay rates for individuals employed by for-profits pay more – making retainage a problem for non-profits. Non-profits should offer competitive pay to get people into their organizations. Motivation for the mission would hopefully keep people within the organization along with health benefits, retirement plans, etc., are needed just like the for-profits.
- Capacity building with for-profits to provide expertise of what is expected in the housing arena.
- If you consider yourself a non-profit, you have an obligation to your staff to train and keep your staff.

- Most groups/organizations do not have enough staff. You need an executive director and administrator to make the minimal amount to keep anyone in that position. It's hard to concentrate on housing projects if you don't have the money. Basic needs have to be met before capacity building; otherwise you never get the stability you need.
- An executive director at \$35,000.00 a year will not be at that organization long. The mentality of fundraisers have to be changed, we spend too much time raising funds; why can't we do a 3 year budget, we need to operate like a for-profit if we intend to allow sustainability; liability; and profitability.
- For profits don't want to do work with non-profits. Non-profits do tougher projects/clients. Non-profit projects require high-level management. We need to recognize and model for-profits. Housing needs to pay for housing – no sense in investing capacity building know next year you will have to close.
- Don't see a big improvement regarding non-profit staffing; some expect it to get worse.
- We have made it difficult as non-profits, we come in "milly mouthed," we need to stand up and say "I am an executive director and can run any non-profit in this land...Pay Me!"
- You have to prove you are effective. We have to think of ourselves as a business.
- Non-profits usually don't have upfront capital like for-profits; people come in and out of non-profit organizations.
- For-profits can do whatever they want, non-profits have someone they have to be accountable to; therefore, non-profit proposals have to be better, but there is no extra money for higher requirements.
- Fannie Mae pays for interns to get into the non-profit arena, but when they get the experience they need, they will go where they can get paid for their experience.
- Most non-profit managers can manage for-profit organizations because all other activities non-profits have to do, non-profits know how to survive.
- Any non-profit organization that is run well should not have to worry about payroll.
- The funders need to be able to see that they are giving to people who can use funds and can show their services are needed.
- We have to decide how to bring the for-profits into the fold with our vision process; strategic plan and explain what you do to get the job done.
- The example of someone taking a job with a non-profit knowing the money at the organization was low, but helped the agency develop and get more involved in committee meetings.
- Most organizations have good board recruiting methods which brings in more experienced individuals.
- Non-profit organizations should strive for self-sufficiency.
- **How do organizations feel about sharing staff and experience?** Shared staff to build and grow staff, especially if everyone in the organization has been there a long time and the pay is okay for the area – Competition is a real issue, i.e., if an accountant assists another organization, they know how much money assisted organization is making. , Etc.

- **Is sharing staff cost beneficial?** : The pie is not large enough – when for-profits helps a non-profit organization they are creating unwanted competition.
- **RE: Ideas for securing general operating funds**
 - Non-profits are encouraged to work with for-profits because they really do work well. Housing can be lucrative income stream if we can get the for-profits in on what you have to offer.
 - Non-profits should look at opportunity to partner with for-profit can be lucrative to the organization and bring capacity into organization. We should encourage partnering whenever possible
 - Non-profits should partner with each other.
 - Word of caution: If non-profit partners with a for-profit it does help sometimes, but a bad deal can put a non-profit under.
 - Technical assistance and expertise result in better developments.
 - You can have several grants in the pipeline, but one funder can say “no” and put the whole development under.
- **RE: How to determine the financial health of a non-profit**
 - Very crucial when you have your project in place then has “pipeline issues.” The developer may like a project, but the financial health of the organization need to have some guaranteed funds coming in.
 - We spend so much time looking for funds; we end up spending less time on the project.
 - Fees are limited by attempting to develop rougher neighborhoods. Funders have special requirements – some need some written specifications as to why you are over/under financed – the true cost of a project should be recognized.
 - Small business/ventures have a high rate of failure because they have to raise capitol to even operate.
 - There is a low tolerance for failure with non-profits.
 - Upfront capitol is very necessary - Have talked about a group of non-profits that started through upfront investments; another group started without capitol and both agree that its tough if a group does not have money to start with.
 - Remember that no for-profit needs a non-profit for tax credits so shop for for-profits very careful. Be sure to discuss accountability versus needs issues, they will be great with lots of different thoughts, and there will still be some on-going structure needed.
 - HUD has taken the lead regarding this discussion, and wants to know how do we build strong non-profits, training and staff board needs – this conversation will be continued. There is much respect for non-profits who have hung in there. IHFA appreciates suggestions to make the system better.